

The following pages show the Governor's line item vetoes and reductions. To view the complete text before the changes, click on the enrolled version.

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June 30, 2006

The Honorable Ben Stevens  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 111  
Juneau, AK 99801

Dear President Stevens:

On this date I signed with line item vetoes the following bill passed by the second session of the Twenty-Fourth Alaska State Legislature and am transmitting the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing:

**HCS CSSB 231(FIN)am H(brf sup maj pfld H)**

"An Act making appropriations, including capital appropriations, supplemental appropriations, reappropriations, and appropriations to capitalize funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

Chapter No. 82, SLA 2006

Alaska's future awaits great opportunities. The challenge of leadership is to make decisions today that will realize those opportunities tomorrow.

The capital budget I have signed into law today enables the state to meet many of its basic responsibilities—to our schools, to improving local transportation, to taking care of deferred maintenance at parks and state buildings that has been neglected for years, to getting Alaska's infrastructure ready for the state's economic future, especially the gas pipeline. This capital budget also provides funding that goes directly to communities to help meet their local priorities, as well as to non profit organizations around the state that work every day to make Alaska a better place to live.

One of the regrets regarding the capital budget is the Legislature's failure to meet the contingency that triggers two appropriations—a \$182.7 million for the Power Cost Equalization (PCE) program and \$73.1 million to construct three rural schools. The deposit in the PCE endowment would result in sufficient earnings to fully fund PCE each year, as was originally intended when the endowment was created. This would then provide stable funding on which rural Alaska communities could depend and on which economic activity and jobs can be built.

The \$73.1 million appropriation will fund the top three schools ranked on the list of the Department of Education and Early Development's School Construction Grants:

Southwest Region – New Stuyahok K-12 School  
Replacement - \$27,231,626

Lower Kuskokwim – D.R. Kiunya Memorial K-12  
Improvements - \$19,382,855

Northwest Arctic – Noatak K-12 School  
Replacement - \$26,501,174.

The contingency on which funding for these projects rests is an increase in the state's petroleum production tax. While it has not yet been approved, it will continue to be considered by the Legislature during an upcoming special session. As a result, these appropriations can still be funded if the contingency is met by future legislative action.

There are several appropriations that while I did not veto them, I have concerns. These include:

- A \$50,000 grant to the Alaska Moose Federation for a moose safety and rebuilding task force. While I have let the appropriation stand, I want the organization to use these funds to conform with state requirements that govern management of orphan moose calves, including compliance with the Alaska Department of Fish and Game's policies. These funds shall be used to transport orphan moose calves to rural areas as quickly as possible once such transport is approved

by a veterinarian. The funds are not to be used for administrative purposes.

- Throughout the capital budget there are small grants to selected schools for supplies and library books, all of which I am sure each school will greatly appreciate. Unfortunately, the schools designated to receive these additional grants appear to be the result from the way in which the budget is divided among legislators through its so-called “discretionary” spending. This process results in some schools—often in neighborhoods and communities that are the least able to pay for these needs themselves—losing out, which is unfair to those schools’ children. I urge the Legislature to re-examine this process to correct for the “have” and “have-nots” that result from such a process.
- The Legislature included \$9 million for an Anchorage Regional Fire Training Facility. I understand the current facility needs to relocate due to a road construction project and related land exchange. The documentation submitted in support of the project indicates that the Municipality of Anchorage is looking to the state and federal governments to pay 100 percent of the project’s \$25.5 million cost. At the same time there is an excellent—but underused—fire training facility on the Kenai Peninsula. Before proceeding with this project, I ask that the Municipality of Anchorage work with the Alaska Department of Public Safety to examine how the Kenai facility can meet the fire training needs of Anchorage and other communities and that any new facility does not duplicate the training available at Kenai.
- Funds are included in the capital budget to begin construction of a new city dock in Gustavus. I continue to believe that the new dock should be built in Bartlett Cove where it will be much safer and in protected waters. Unfortunately the National Park Service has not yet agreed. I have directed the Alaska Department of Transportation and Public Facilities to continue to work with the Park Service to reach agreement on the dock’s location.

I have vetoed or reduced the following appropriations for the reasons explained:

Railbelt Energy Fund - \$73,500,000 Railbelt energy funds

I have vetoed the eight appropriations that the Legislature made from the Railbelt Energy Fund to utilities around the state. I let stand the \$800,000 to the Alaska Energy Authority.

Reason for veto: It is extremely important that Alaska's utilities work together to expand the state's generating capacity to meet the demands of the future. While I understand that each utility has an interest in meeting the needs of their ratepayers, it is now time that they assume a collective responsibility to address the state's future energy demands. The projects funded in this section of the capital budget did little to meet this need.

Some have suggested that relief from a shortage of natural gas likely will come from the potential closure of the Liquefied Natural Gas (LNG), urea and ammonia facilities on the Kenai Peninsula should the contract not be renewed, or if Agrium is unable to continue because of an inability to obtain a year-round gas supply. It is unacceptable for such alternatives to be viewed as "relief." It also is imperative that the utilities pursue every available avenue to keep these two facilities open because they are a vital component in justifying a lateral line from the proposed gas pipeline. Such a line would originate in Fairbanks and go Delta-Glennallen-Mat-Su Valley-Anchorage-Kenai, where it will meet up with these potential major users.

I have approved the \$800,000 included in this section that provides for a study on the creation of the Railbelt Electrical Grid Authority as an independent system operator to manage and dispatch electric power on the Railbelt grid. I believe this can be the mechanism by which the state and utilities work together to expand the generating capacity of Alaska's utilities—something that is vital to meeting the economic opportunities that the future holds.

City of Wasilla – Nanotechnology Development in the Matanuska-Susitna Borough - \$100,000 general funds

Reason for veto: This project was not identified as a priority of the City of Wasilla. While there may be potential for such an industry in Alaska, it will require the commitment and participation of the local community.

The Honorable Ben Stevens  
June 30, 2006  
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City of Kake – Facelift for World’s Tallest Totem Pole - \$200,000 general funds

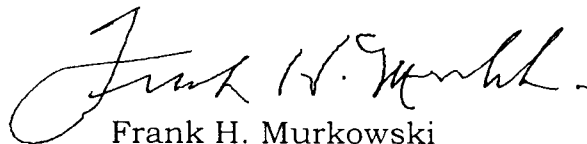
Reason for veto: This is an obligation of the local community.

Alaska Siberian Research Center – Alaska Siberia WWII Lend-Lease Memorial Park Construction and Statue Installation - \$50,000 general funds

Reason for veto: I have reduced this appropriation in half. The amount remaining is to support the memorial and I have removed the funds for the guidebook, which is outside the scope of the original project.

This capital budget reflects my administration's commitment to ensuring each Alaskan has the opportunity to fully participate in Alaska's bright future. I am pleased with the Legislature's support of the direction in which we are taking the state. Much has been accomplished—and we look forward to delivering even greater results for Alaskans.



Sincerely yours,

A handwritten signature in black ink, appearing to read "Frank H. Murkowski". The signature is fluid and cursive, with a large initial "F" and a long, sweeping underline.

Frank H. Murkowski  
Governor

Enclosure

## Chapter 82

	Appropriation		General Funds	Other Funds
	Allocations	Items		
1				
2				
3	School - Purchase of a			
4	Hydraulic Rock Drill For			
5	Training (HD 33-35)			
6	Alaska Mineral and Energy	50,000	50,000	
7	Resource Education Fund -			
8	Update Curriculum and			
9	Science Kits (HD 1-40)			
10	Alaska Moose Federation -	50,000	50,000	
11	Statewide Moose Safety &			
12	Rebuilding Task Force (HD			
13	1-40)			
14	Alaska Moving Image	75,000	75,000	
15	Preservation Association,			
16	Inc. - Voices and Images of			
17	Alaska Project (HD 1-40)			
18	Alaska Native Heritage	250,000	250,000	
19	Center Expansion and			
20	Improvements (HD 17-32)	 50,000	 50,000	
21	Alaska Siberian Research	<del>100,000</del>	<del>100,000</del>	
22	Center - Alaska Siberia WW			
23	II Lend-Lease Memorial Park			
24	Construction and Statue			
25	Installation (HD 7-11)			
26	Alaska State Hospital and	1,000,000	1,000,000	
27	Nursing Home Association -			
28	ARTN Project (HD 1-40)			
29	Alaska State Trooper Museum	200,000	200,000	
30	- Archive Program Assistant			
31	(HD 17-32)			
32	Alaska Theater of Youth -	34,000	34,000	
33	Van Purchase and			

	Appropriation		General	Other
	Allocations	Items	Funds	Funds
1				
2				
3	Systems Upgrade (HD 33-35)			
4	City of Homer - Smolt	10,000	10,000	
5	Stocking for Nick Dudiack			
6	Fishing Lagoon (HD 33-35)			
7	City of Houston - Houston	25,000	25,000	
8	Police Cruiser (HD 13-16)			
9	City of Houston - Houston	25,000	25,000	
10	Volunteer Fire Department			
11	Fire Service Equipment (HD			
12	13-16)			
13	City of Kachemak - Zamboni	80,000	80,000	
14	for Homer Hockey			
15	Association (HD 33-35)			
16	City of Kake - Bear View	75,000	75,000	
17	Platform at Gunnuck Creek			
18	Hatchery (HD 5)			
19	City of Kake - Drinking	20,000	20,000	
20	Water Replacement Pumps (HD			
21	5)			
22	<del>City of Kake - Facelift for</del>	<del>200,000</del>	<del>200,000</del>	
23	<del>Worlds Tallest Totem Pole</del>			
24	<del>(HD 5)</del>			
25	City of Kaltag - Phase 1	50,000	50,000	
26	Fish Processing Plant (HD 6)			
27	City of Kenai - Police	40,000	40,000	
28	Department Lockers, Benches			
29	and Seats (HD 33-35)			
30	City of Kenai - Public	20,000	20,000	
31	Library Book and Computer			
32	Equipment Replacement (HD			
33	33-35)			



# Chapter 82

		Appropriation	General	Other
		Allocations	Funds	Funds
1				
2				
3	City of Unalaska - New	2,000,000	2,000,000	
4	Landfill Cell Development			
5	(HD 37)			
6	City of Valdez - City Dock	2,500,000	2,500,000	
7	Repair and Revitalization			
8	(HD 12)			
9	City of Wasilla - Drug	70,000	70,000	
10	Enforcement Position (HD			
11	13-16)			
12	<del>City of Wasilla -</del>	<del>100,000</del>	<del>100,000</del>	
13	<del>Nanotechnology Development</del>			
14	<del>in the Matanuska-Susitna</del>			
15	<del>Borough (HD 13-16)</del>			
16	City of Wasilla -	500,000	500,000	
17	Palmer-Wasilla Highway			
18	Sewer Extension (HD 13-16)			
19	City of Wasilla -	500,000	500,000	
20	Palmer-Wasilla Water			
21	Improvements Phase 3 and			
22	Bumpus Well No. 2 (HD 13-16)			
23	City of Wasilla - Sexual	75,000	75,000	
24	Abuse Task Force			
25	Investigator (HD 13-16)			
26	City of Wasilla - Sports	250,000	250,000	
27	Complex Parking Lot Paving			
28	(HD 13-16)			
29	City of Wasilla - Sports	75,000	75,000	
30	Complex Portable Floor (HD			
31	13-16)			
32	City of Whittier - Boat	1,000,000	1,000,000	
33	Harbor and Waterfront			

1 and unobligated balance of the appropriation made in sec. 2(a), ch. 19, SLA 1993 (grant to  
 2 Chugach Electric Association, held by the Alaska Industrial Development and Export  
 3 Authority) is reappropriated to the Railbelt energy fund (AS 37.05.520).

4 (b) The amount of net income earned during the fiscal year ending June 30, 2006, on  
 5 the appropriation made by sec. 2(a), ch. 19, SLA 1993, to the Department of Administration  
 6 for a grant to the Chugach Electric Association and held by the Alaska Industrial  
 7 Development and Export Authority is appropriated to the Railbelt energy fund  
 8 (AS 37.05.520).

9 **\* Sec. 62. RAILBELT ENERGY FUND.** ~~(a) The sum of \$4,500,000 is appropriated from~~  
 10 ~~the Railbelt energy fund (AS 37.05.520) to the Department of Commerce, Community, and~~  
 11 ~~Economic Development for payment as a grant under AS 37.05.316 to the Copper Valley~~  
 12 ~~Electric Association for reimbursement of capital projects expenditures.~~

13 ~~(b) The sum of \$12,500,000 is appropriated from the Railbelt energy fund~~  
 14 ~~(AS 37.05.520) to the Department of Commerce, Community, and Economic Development~~  
 15 ~~for payment as a grant under AS 37.05.316 to Chugach Electric Association for new~~  
 16 ~~substations and transmission lines, generation site acquisition, and infrastructure~~  
 17 ~~development.~~

18 (c) The sum of \$12,500,000 is appropriated from the Railbelt energy fund  
 19 (AS 37.05.520) to the Department of Commerce, Community, and Economic Development  
 20 for payment as a grant under AS 37.05.316 to Homer Electric Association for augmentation  
 21 of existing and new generation at the Homer Electric Association Nikiski facility and upgrade  
 22 of bulk transmission facilities within the Kenai Peninsula Borough subdivision.

23 (d) The sum of \$12,500,000 is appropriated from the Railbelt energy fund  
 24 (AS 37.05.520) to the Department of Commerce, Community, and Economic Development  
 25 for payment as a grant under AS 37.05.316 to Matanuska Electric Association for new  
 26 substations and transmission lines, generation site acquisition, and infrastructure  
 27 development.

28 (e) The sum of \$14,000,000 is appropriated from the Railbelt energy fund  
 29 (AS 37.05.520) to the Alaska Energy Authority for payment as a grant under AS 44.83.080 to  
 30 the Matanuska Electric Association for a 115 kilovolt transmission line from the Douglas  
 31 ~~substation to the Stevens substation.~~

1 ~~(f) The sum of \$12,500,000 is appropriated from the Railbelt energy fund~~  
2 ~~(AS 37.05.520) to the Alaska Industrial Development and Export Authority for the restart of~~  
3 ~~the Healy Clean Coal Plant.~~

4 ~~(g) The sum of \$1,000,000 is appropriated from the Railbelt energy fund~~  
5 ~~(AS 37.05.520) to the Department of Commerce, Community, and Economic Development~~  
6 ~~for payment as a grant under AS 37.05.316 to Seward Electric System for a new backup~~  
7 ~~generator.~~

8 ~~(h) The sum of \$4,000,000 is appropriated from the Railbelt energy fund~~  
9 ~~(AS 37.05.520) to the Department of Commerce, Community, and Economic Development~~  
10 ~~for payment as a grant under AS 37.05.316 to Anchorage Municipal Light and Power for new~~  
11 ~~substations and transmission lines, generation site acquisition, and infrastructure~~  
12 ~~development.~~

13 (i) Any balance remaining in the Railbelt energy fund (AS 37.05.520) and interest  
14 earnings of the fund, after the appropriations made in (a) - (h) of this section and not to exceed  
15 \$800,000, is appropriated to the Department of Commerce, Community, and Economic  
16 Development, Alaska Energy Authority, for the study of the Railbelt Electrical Grid  
17 Authority, an independent system operator, to manage and dispatch electric power on the  
18 Railbelt grid.

19 ~~(j) Any balance remaining in the Railbelt energy fund (AS 37.05.520) and interest~~  
20 ~~earnings of the fund, after the appropriations made in (a) - (i) of this section, are appropriated~~  
21 ~~on a pro rata basis to the recipients listed in (a) - (h) of this section for the projects specified~~  
22 ~~and related expenses.~~

23 \* **Sec. 63. CONSTITUTIONAL BUDGET RESERVE FUND.** (a) Deposits in the budget  
24 reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) for fiscal year 2006 that are  
25 made from subfunds and accounts other than the operating general fund (state accounting  
26 system fund number 11100) by operation of art. IX, sec. 17(d), Constitution of the State of  
27 Alaska, to repay appropriations from the budget reserve fund are appropriated from the  
28 budget reserve fund to the subfunds and accounts from which they were transferred.

29 (b) The sum of \$185,400 is appropriated from the budget reserve fund (art. IX, sec.  
30 17, Constitution of the State of Alaska) to the Department of Revenue, treasury division, for  
31 increased operating costs related to management of the budget reserve fund for the fiscal year